

**HSC BRIEFING**

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**27 JUNE 1956**

**IRELAND**

**CONFIDENTIAL**

**I. Fairly complete Icelandic election returns show:**

- A. No absolute majority (27 needed) for any one party or for the election alliance of Progressives and Social Democrats, who ran together in opposition to Conservatives.**
- B. A 5% gain in popular vote for the Conservatives, despite the opposition's exploitation of the Keflavik NATO Base issue in the election (despite this gain, Conservatives dropped from 21 to 19).**

**II. Previous Icelandic government was a coalition of Conservatives and Progressives. If reconstitution of this coalition proves impossible, Progressives and Social Democrats may attempt formation of a minority Government (their combined total of 25 seats is 2 short of absolute).**

- A. No matter how formed, the next Government is committed to seek revisions of the 1951 defense agreement with the US (talks are to start 1 August).**
- B. However, the Progressives are now hinting at a moderation of their strong anti-Base stand (they might now be satisfied by something less than total withdrawal of US forces (from Keflavik)).**

**III. Actually, Iceland's most serious present problem is not Keflavik, but its economy--inflation is pricing Icelandic fish products (90% of exports) out of Free World markets.**

- A. Result has been increasing dependence on barter trade with the bloc (examples: some 70% of petroleum imports, 75% of coal).**

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DOCUMENT NO. 19  
NO CHANGE IN CLASS. 19  
DECLASSIFIED  
CLASS. CHANGED TO: TS S C  
NEXT REVIEW DATE: 1-19-80  
AUTH: 19  
DATE 1-19-80 REVIEWER: